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SENATE BILL 580 By
Atchley

HOUSE BILL 1573
By Rinks

AN ACT to amend Tennessee Code Annotated, Title 56, Chapters 2 and 11, to recognize and to define the term limited credit life and credit accident and health reinsurer and to establish a regulatory system for such companies.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated Title 56, Chapter 2, Part 2, is hereby amended by adding the following new section:

Section 56-2-210.

(a) The responsibilities and obligations of a limited credit life and credit accident and health reinsurer under this title shall be modified as set out in this section. As used in this section, the term "limited credit life and credit accident and health reinsurer" means a domestic credit life and credit accident and health reinsurer (i) that reinsures only credit life insurance or credit accident and health insurance as defined in Section 56-2-201, or both, in the manner provided for in Section 56-2-114(b); (ii) which has been authorized by the commissioner to do so in Tennessee and is not so authorized in any other state; and (iii) which shall secure all of its reinsurance reserve liabilities that have been assumed under a reinsurance agreement that has been approved by the commissioner with funds withheld or maintained in a trust fund that complies with Sections 56-2-207, 56-2-208 and 56-2-209 and in an amount that is not less than one

hundred ten percent (110%) of the amount of such liabilities assumed. A limited credit life and credit accident and health reinsurer shall demonstrate its compliance with such requirements in the annual statement filed with the commissioner for the preceding year and shall maintain assets to secure such liabilities in such percentage relationship at all times; in determining compliance with this requirement, the commissioner shall value securities in the manner prescribed in Sections 56-3-113 and 56-3-114, and shall take into account only such securities as constitute admitted assets under Title 56, Chapter 3, Part 3, and Section 56-1-405. A company may not be a limited credit life and credit accident and health reinsurer during any period in which it is an affiliate of an insurer; in determining whether a company is such an affiliate, tests provided for in Section 56-11-201 shall be applied to determine a company's status.

(b) Notwithstanding any contrary provision in this title, a limited credit life and credit accident and health reinsurer shall be excused from:

(1) filing personal financial statements to accompany insurance holding company forms under Section 56-11-205;

(2) filing any audited financial statements pursuant to rules authorized by Section 56-1-501(h);

(3) filing any risk-based capital reports under Title 56, Chapter 46;

(4) filing any management discussion and analysis;

(5) filing with respect to material transactions under Sections 56-10-301 through 56-10-303;

(6) filing any actuarial certification;

(7) any filing of its annual statement or quarterly statement with the National Association of Insurance Commissioners; and

(8) filing with respect to extraordinary dividends under Section 56-11-206(b).

(c) The commissioner is excused from any obligation to perform regular examination of a limited credit life and credit accident and health reinsurer under Section 56-1-408, but shall retain the power to make an examination of any accounts, records, files, documents, and transactions pertaining to insurance of any such limited credit life and credit disability reinsurer whenever the commissioner deems it prudent to do so under Section 56-1-409.

(d) A limited credit life and credit accident and health reinsurer shall file with the commissioner copies of all reinsurance agreements, including amendments thereto, to which the reinsurer is a party. Such agreement or amendment shall not be effective until and unless the agreement or amendment is approved by the commissioner; provided, however, such agreement or amendment shall be deemed approved if the commissioner does not disapprove such agreement or amendment in writing within thirty (30) days after the reinsurer files a copy of such agreement or amendment with the commissioner.

(e) The commissioner may approve a merger in which a limited credit life and credit accident insurance company is a constituent party without holding the otherwise required hearing on a merger of a limited credit life and credit accident and health reinsurer with another entity, unless the requirement of such a hearing under Section 56-10-104(b) applies to another party to the merger.

(f) Following the effective date of this act, the commissioner may permit an applicant to seek a certificate of authority pursuant to a simplified and abbreviated application form under which the company seeking authority from the commissioner to engage in the business of being a limited credit life and credit accident and health reinsurer may apply for a certificate of authority to engage in such business.

(g) This section shall apply to all reports and documents required to be filed after December 31, 2000.

SECTION 2. Section 56-11-205(j) is amended by adding a new sentence at the end of the current material as follows:

The commissioner may by order exempt any limited credit life and credit accident and health reinsurer from the provisions of this section.

SECTION 3. This act shall take effect upon becoming a law, the public welfare requiring it.